

PASCN Discussion Paper No. 98-15

**APEC Early Voluntary
Sectoral Liberalization:
Is the Philippines Ready?**

Myrna S. Austria



The *PASCN Discussion Paper Series* constitutes studies that are preliminary and subject to further revisions and review. They are being circulated in a limited number of copies only for purposes of soliciting comments and suggestions for further refinements.

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**APEC Early Voluntary Sectoral Liberalization:
Is the Philippines Ready?***

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Abstract

The paper is an integrative report of the fifteen sectoral studies prepared to help the Philippine government define its position and strategy in its participation in the *APEC Early Voluntary Sectoral Liberalization* program. Analysis shows that because most of the 15 sectors are not yet competitive to withstand the competitive pressure arising from EVSL, the country will benefit if it will agree to an early sectoral liberalization but applying APEC's principle on differentiated timetable. The 3 percent tariff level to which most of the products/commodities proposed for EVSL belong to is already considered low. An acceleration of tariff reduction below 3 percent will put a greater strain on the sectors, especially that most of the sectors are considered sensitive industries. The sectors are considered better prepared for global liberalization by the year 2004. An exception, however, are the proposals on telecommunications Mutual Recognition Agreement (MRA) and civil aircraft. Because of the benefits that the country could get from these two proposals, it is recommended that the country should sign to the agreement as scheduled and commit to the early liberalization of the civil aircraft sector. Strategies and programs that would enhance the competitiveness of the sectors are also identified, including the economic and technical cooperation measures that the country should advance in APEC.

* The views expressed herein do not necessarily represent the official views of the Philippine government in general, and/or the WTO/AFTA Advisory Commission in particular. This industry paper was prepared to provide some basic or background information; hence, in no way it is exhaustive. The intent is to offer the initial set of information for discussion and in the process, elicit the ideas that could be helpful in formulating the appropriate strategies in the development of this industry sector.

This paper was prepared under the "APEC Early Voluntary Sectoral Liberalization" project which was jointly funded by the WTO/AFTA Commission and the Philippine APEC Study Center Network (PASCN) in furtherance of the general objective of undertaking consensus building activities and other necessary measures to promote the Philippines as a competitive player in the global economy.

APEC Early Voluntary Sectoral Liberalization : Is the Philippines Ready?

Myrna S. Austria*

Recognizing the importance of progressing towards the achievement of the Bogor goals of free and open trade and investment, and in demonstrating APEC's leadership in liberalizing global trade, the APEC Economic Leaders endorsed the early voluntary sectoral liberalization (EVSL) of fifteen sectors during their Fifth Meeting in Canada in 1997. The initiative not only complements the Individual Action Plan (IAP) process but it also signals the commitment of member economies to promote economic growth based on a substantial program of trade liberalization in the region.

While EVSL shows APEC's seriousness in achieving free trade, several issues arise as to how the initiative should be implemented considering the different levels of economic development and diverse circumstances of APEC economies. More specifically, how should a member economy participate in the process? The primary purpose of this paper is to define the Philippine position and strategy in the country's participation to the EVSL initiative¹. It will attempt to address the following issues:

- Which sectors should the country push or not push for early voluntary liberalization?
- What strategies should the country adopt in the EVSL process to be able to advance its own interests?
- What facilitation and economic and technical cooperation measures should the country push for implementation in APEC to enhance its competitiveness and hence, enable it to participate and take advantage of the opportunities arising from EVSL?

The next section of the paper presents the origins of EVSL, followed by a discussion on the relationship of EVSL to the broader based trade liberalization agenda of APEC, and the criteria to be used in the Philippine participation in the EVSL initiative. The EVSL proposals are presented next, followed by an analysis of the economic performance of the sectors proposed for EVSL. The discussion provides the background on the extent to which tariffs can be reduced. The likely implications of the EVSL initiative on the country are then discussed, including the Philippine government strategy in its participation in EVSL. An EVSL Action Plan

*Research Fellow, Philippine Institute for Development Studies. The research assistance provided by May Coronado is gratefully acknowledged.

¹ To help the government define its position and strategy in its participation in the EVSL initiative, the WTO/AFTA Advisory Commission has commissioned the Philippine APEC Study Center Network (PASCN) to conduct industry studies on the likely impact of EVSL on the 15 sectors identified. In carrying out the task, a series of roundtable discussion-consultation was conducted among the various stakeholders, namely, the industry group, the government and the academe. The discussion in this paper is based on the major findings and recommendations of the industry studies.

for the Philippines is then presented. Finally, the remaining issues that need to be addressed are raised.

The Origins of APEC EVSL

The concept of early voluntary sectoral liberalization started during the APEC Economic Leaders' Meeting in Subic in 1996 when the Leaders instructed their Trade Ministers

“to identify sectors where early voluntary sectoral liberalization would have a positive impact on trade, investment and economic growth in the individual APEC economies as well as in the region, and submit to us their recommendations on how this can be achieved” (1996 APEC Economic Leaders' Declaration).

Responding to the challenge, the APEC Trade Ministers identified in 1997 fifteen potential sectors for early voluntary sectoral liberalization out of the forty-one sectors proposed for review and consideration. The fifteen sectors were identified as enjoying the most support among the member economies. During their Fifth Meeting in Canada in November 1997, the Economic Leaders endorsed the early voluntary liberalization of the fifteen sectors, with nine to be advanced throughout 1998.

Furthermore, the Leaders instructed the Trade Ministers to spell out in more detail the specific initiatives in each of the nine sectors by finalizing the scope of coverage, measures to be covered and implementation schedule, by the middle of 1998, with a view of implementation beginning in 1999. To sustain the momentum, the proposals for the remaining 6 sectors will be further developed for review and assessment by the Ministers in June 1998; and for possible consideration and endorsement by the Leaders in November 1998.

The nine sectors are:

- | | |
|---|--------------------|
| - Environmental goods and services | - Energy |
| - Fish and fish products | - Toys |
| - Forest products | - Gems and jewelry |
| - Medical equipment and instruments | - Chemicals |
| - Telecommunications mutual recognition agreement (MRA) | |

The remaining six sectors are:

- | | |
|---------------------------------|------------------|
| - Food | - Fertilizers |
| - Oilseeds and oilseed products | - Automotive |
| - Natural and synthetic rubber | - Civil aircraft |

The APEC Trade Ministers are open to considering other sectors for early voluntary liberalization as opportunities arise.

EVSL as a Process of Prioritizing Sectors for Liberalization

The idea of early sectoral liberalization was based on the premise that APEC should advance and broaden the implementation of its existing Collective Action Plan

(CAP) in the area of tariffs and non-tariff barriers which was formulated as part of the Osaka Action Agenda in 1995. The initiative is also influenced by the success of APEC's leadership role in ensuring the completion of the WTO Agreement on Information Technology (ITA) that aims to eliminate tariffs on IT products by the year 2000.

EVSL is not a separate program for liberalization but rather a part of the broader trade liberalization agenda as set out in Bogor. EVSL is therefore viewed as a process of prioritizing sectors to be liberalized that will keep member economies on track towards the Bogor targets. Hence, the liberalization of the 15 sectors identified will be earlier or faster than originally scheduled. The approach is based on APEC's principle of voluntarism where each economy is free to determine the sectoral initiatives that it will participate on and its level of participation.

Criteria in the Philippine Participation in EVSL

In choosing the sectors that the country should participate in in the EVSL initiative, the following criteria were used:

- *Performance of the sector* – Sectors which are already efficient and for which the country has comparative advantage in APEC can be liberalized earlier.
- *Likely impact of EVSL* – The possible likely benefits (e.g. greater efficiency in resource allocations, greater market access, lower import price, better products, etc.) and costs (tariff revenue forgone, displaced workers) are also considered in assessing whether a sector can be included for EVSL; and
- *Commitments in TRP, WTO and CEPT* – Ideally, products or commodities with the highest level of protection should be liberalized first for liberalization to be welfare enhancing. However, the possible effects the proposed EVSL may have on the country's existing tariff structure under TRP and commitments in WTO and CEPT are given primary consideration to avoid EVSL creating further distortions in the economy. Hence, the EVSL tariff reduction should adhere as closely as possible to the existing structure, except for the following considerations:
 - Early liberalization is recommended for products where there are no local manufacturers or producers, specially products which are used as inputs or raw materials of industries; and
 - Early liberalization is recommended for products which cannot be locally produced in commercial quantities.

The EVSL Proposal Product Coverage and Schedule of Implementation

Recognizing the need for a balanced and mutually beneficial package for all participating economies, EVSL will have two components: one, the elimination of tariff and non-tariff barriers; and two, the identification of facilitation and economic and technical cooperation measures. *Trade facilitation measures* are programs that

would reduce the cost of doing business by liberalizing trade, eliminating unnecessary administrative burdens and bringing down technical barriers to trade through the use of new technologies and cost-effective processes. On the other hand, *economic and technical cooperation measures* are programs designed to enable the participating economies, especially the developing member economies, to build their capacity and enhance their competitiveness thereby, enabling them to participate and take advantage of the opportunities arising from EVSL.

Elimination of tariffs. The proposed product coverage and schedule of implementation for the elimination of tariffs for the fifteen sectors are shown in Table 1. For most sectors, the coverage is indicative with the final coverage to be determined by the member economies on the basis of consensus. However, for the coverage of the environmental goods and services sector, APEC economies are encouraged to define and classify products and services falling under the sector since there is still no standard definition for the industry in view of its rather recent emergence.

Each sector has a different proposed timetable for the elimination of tariffs. In general, however, the proposal is for a progressive reduction of tariffs to zero starting in 1999 and to be completed not later than 2005. The EVSL tariff reduction schedule for medical equipment, chemicals, fertilizers, oilseed and oilseed products, and civil aircraft are also proposed to be bound to the WTO schedules.

The proposal for telecommunications is quite unique as it calls for the development of mutual recognition agreements (MRA), where a framework and mechanism for testing and certification of telecommunications equipment is being studied for adoption by APEC economies.

A review of the existing tariff structure of the 15 sectors under the Tariff Reform Program (TRP) shows that most of the tariff lines proposed for EVSL are already under the 3 percent tariff rate level in 1998 and by the year 2000 (Table 2). The products of natural and synthetic rubber and fertilizer *all* have 3 percent tariff rate. Medical equipment and instruments will also be 100 percent under 3 percent tariff rate in 2000. A small percentage belongs to the 10 percent and 20 percent tariff levels, except for food and toys where more than 50 percent of their product lines have 20 percent tariff rates. The most protected sector is automotive where 24 percent of its product lines still belong to the 40 percent and above tariff level in 1998 although by the year 2000, most of the products will have 10 percent tariff rate. About 12 percent of the tariff lines on food also belong to the 40 percent and above category and these are mostly sensitive products like sugar and coffee.

Elimination of non-tariff barriers. The EVSL sectoral proposals did not identify specific non-tariff barriers to be eliminated. However, member economies are encouraged to identify sector-specific non-tariff barriers to be eliminated. The identification will take perhaps a year long process in 1998. Once the relevant NTBs are identified, APEC members would be in a better position to develop a work program aimed at addressing the progressive elimination of NTBs.

Table 1. Summary of EVSL Proposals for the elimination /reduction of tariffs.

Sector	Nominating Economies	Product Coverage	Proposal
Toys	China, Hongkong, Singapore, USA	HS 9501 to 9505	Progressive reduction of tariffs to zero commencing 1998 and to be completed preferably by 2000 but not later than 2005.
Gems and jewelry	Thailand, Chinese Taipei	HS 71	To be jointly formulated by member economies in 1998.
Fish and fish products	Brunei Darussalam, Canada, Indonesia, New Zealand, Thailand	HS 03.02 to 03.07, 05.11, 15.04, 16.03 to 16.05, 23.01, 23.09	Elimination of tariffs in 2 phases: <ul style="list-style-type: none"> ➤ for tariff rates equal to or less than 20 percent, elimination by December 31, 2001. ➤ for tariff rates higher than 20 percent, reduction to 20 percent, by December 31, 2001, followed by elimination by December 31, 2003.
Medical equipment and instruments	USA, Singapore	HS 2844.40, 3822, 8419.20, ex HS 8543.8985, 8713, 8714.20, 9018 to 9019, 9021 to 9028, 9030 to 9032	Elimination of tariffs within 3 years; all tariff reduction would be bound in the tariff schedule of the WTO.
Environmental goods and services	Canada, Japan, Chinese Taipei, USA	Economies are encouraged to identify goods and services to be covered under the agreement	To be jointly formulated by member economies in 1998.
Forest products	Canada, Indonesia, New Zealand, USA	HS 44, 46, 47, 48, 49, ex 94.01, ex 94.03, ex 94.06	Elimination of tariffs by 1 January 2002 on products falling under chapters 44 and 49; by 1 January 2004 on products under chapters 46, 47 and 49; by 1 January 2000 on products under chapter 48.
Chemicals	USA, Singapore, Australia, Hongkong	HS 28 to 39 except for the ff: 2905.43, 2905.44, 3301, 3501 to 3505, 3809.10 and 3823.60	To bring tariffs into conformity with the rates established in the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA) into two tranches as agreed in the UR, i.e. by 2001 for tariffs up to and including 10 percent and by 2004 for tariffs over 10 percent. Tariffs will be bound to the WTO schedules.
Telecommunications MRA	USA	Phase I: Mutual Recognition of Test Results Phase II: Mutual Recognition of Equipment Certificates	MRA activities to start by July 1, 1999.

Con't Table I.

Sector	Nominating Economies	Product Coverage	Proposal
Energy	Australia, USA, Thailand	Primary energy commodities (coal and gas), electricity, energy products, technologies, services and equipment. Tariff work will concentrate on coal and gas items under HS 2701 and 2711. Precise details of the other components of the sector will be defined thru further consultation with APEC member economies.	Acceleration of the progressive removal of residual tariffs on coal and gas items ahead of the Bogor timeframe. Reduction timetable would be determined through member consultation in 1998.
Food	Australia	HS 0701 to 0714, 0801 to 0814, 0901 to 0903, 1602, 1704, 1806, 1901, 1902, 1904 to 1905, 2001 to 2008, 2101, 2103 to 2105, 2201 to 2205, 2208 to 2209	To bring down applied tariffs to 5 percent and below by 2004 starting June 1999.
Natural and synthetic rubber	Thailand, Japan	HS 40.01 to 40.02	To be jointly formulated by member economies in 1998.
Fertilizers	Canada	HS 25.03, 2809.20, 2814.10, 31.01 to 31.05	Elimination of tariffs by January 1, 2004 and subsequently bound in WTO schedules at zero.
Oilseeds and oilseed products	Canada, USA, Malaysia	HS 1201, 1203 to 1208, 1507, 1511 to 1518, 2106.10, 2103.30, 2302.50, 2304, 2306, 2923.20, 3504	Elimination of all tariffs, NTBs, export subsidies, quotas and other trade distorting measures by 2002 and bound in WTO schedules.
Automotive	USA	HS 8701 to 8706, 3819, 3820, 4009 to 4016, 6813, 7007, 7009, 7318, 7320, 8301, 8302, 8407 to 8409, 8413, 8414, 8515, 8421, 8425, 8431, 8482, 8483, 8501, 8507, 8511, 8512, 8519, 8525, 8707, 8708, 8716, 9029, 9104, 9401, 9403, 9802	
Civil Aircraft	Canada	Same coverage as in Agreement on Trade in Civil Aircraft.	Elimination of tariffs in two equal cuts on January 1, 1999 and January 1, 2000 and bound in WTO schedules at zero.

Source: EVSL nomination papers.

Facilitation and economic and technical cooperation measures. The economies are also encouraged to identify measures that will promote facilitation and economic and technical cooperation.

Table 2. Distribution of products proposed for EVSL, by tariff rates, 1998-2000 (percent).

Sector/Year	Tariff rates									Total
	3%	5%	7%	10%	15%	20%	25%	30%	40% & above	
1998										
Toy	0.0	0.0	0.0	33.3	9.5	57.1	0.0	0.0	0.0	100.0
Environmental goods & services	0.0	64.0	0.0	25.0	4.1	7.0	0.0	0.0	0.0	100.0
Medical equipment, instruments, and devices	98.8	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	100.0
Gems & jewelry	70.5	0.0	0.0	11.5	4.9	13.1	0.0	0.0	0.0	100.0
Fish & fish products	22.8	0.0	0.0	44.9	0.0	31.5	0.0	0.0	0.8	100.0
Forest products	36.6	0.0	0.4	10.2	21.1	13.0	18.7	0.0	0.0	100.0
Chemicals	76.1	0.4	0.0	17.6	1.1	4.8	0.0	0.0	0.0	100.0
Natural & synthetic rubber	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Fertilizer	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Automotive	18.1	0.0	6.0	21.7	1.2	25.3	0.0	3.6	24.1	100.0
Oilseeds & oilseed products	39.3	0.0	0.0	19.6	0.0	41.1	0.0	0.0	0.0	100.0
Civil aircraft	60.4	0.0	0.0	22.1	0.0	14.0	2.8	0.7	0.0	100.0
Food	5.0	0.0	0.0	20.1	0.0	57.0	0.0	5.4	12.4	100.0
2000										
Toy	0.0	0.0	0.0	42.9	0.0	57.1	0.0	0.0	0.0	100.0
Environmental goods & services	0.0	69.3	0.0	25.2	4.0	1.5	0.0	0.0	0.0	100.0
Medical equipment, instruments, and devices	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Gems & jewelry	70.5	0.0	3.3	13.1	13.1	0.0	0.0	0.0	0.0	100.0
Fish & fish products	26.0	0.0	41.7	0.0	31.5	0.0	0.0	0.0	0.8	100.0
Forest products	36.6	0.0	8.9	22.8	11.8	19.9	0.0	0.0	0.0	100.0
Chemicals	82.4	0.1	6.9	6.4	1.5	2.6	0.0	0.0	0.0	100.0
Natural & synthetic rubber	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Fertilizer	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Automotive	18.1	0.0	0.0	49.4	1.2	7.2	0.0	24.1	0.0	100.0
Oilseeds & oilseed products	38.6	0.0	0.0	35.1	0.0	26.3	0.0	0.0	0.0	100.0
Civil aircraft	62.7	0.0	4.1	18.5	4.4	10.3	0.0	0.0	0.0	100.0
Food	5.8	0.0	0.0	41.0	0.0	34.5	0.0	5.8	13.0	100.0

Note: The tariff rates are based on the Tariff Reform Program.

Source: Tariff Commission.

Sectoral Performance

Value added. Except for fish and fish products and energy, the sectors nominated for EVSL belong to the manufacturing sector. Together, the 15 sectors contributed an average of 22 percent per year to the country's gross domestic product during the period 1989-1993 (Table 3). Among the sectors, food contributed the highest share in manufacturing value added. On the other hand, toys, medical equipment and instruments, gems and jewelry, and civil aircraft contributed less than 1 percent each.

The total value added generated by the 15 sectors grew on the average by 11.8 percent per year between 1989 and 1993. Only fertilizer and oilseeds and oilseed products experienced negative growth during the period.

Employment. The 15 sectors contributed about 2 percent per year of the country's total employment between 1990 and 1993 (Table 4). However, the contribution has been on a downtrend. While the percentage is small, the number is quite large, about 700 thousand workers. This is the number of workers that might be affected or displaced should the sectors be opened for EVSL.

Labor productivity at constant 1990 prices rose from P317.9 thousand in 1990 to P346.1 thousand in 1993, or an average annual growth rate of 2.9 percent during the period. Fertilizer and oilseeds and oilseed products had the highest labor productivity although the value has declined between 1991 and 1993. All the other sectors, except for toys, registered increasing labor productivity (Figure 1).

Exports. The total value of exports generated by the 15 sectors increased from US\$4.4 billion in 1994 to US\$4.9 billion in 1996 or an average annual growth rate of 5.7 percent during the period (Table 5 and Figure 2). The sectors' total contribution to the country's total exports, however, declined from 31 percent in 1994 to 22 percent in 1996. This is due primarily to the increasing share of electronics and garments in total exports (Table 6). Among the 15 sectors, food contributed the largest share to the country's total exports. Toys, civil aircraft and medical equipment and instruments contributed the least.

Table 3. Gross value added, by sector, 1989-1992

Sector	Value (in million pesos)					Share to total value added (%)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Toy	74.5	140.9	291.5	264.4	270.5	0.03	0.05	0.09	0.08	0.08
Medical equipment & instruments	336.3	345.4	511.7	691.5	1,337.5	0.15	0.13	0.16	0.21	0.38
Gems and jewelry	90.5	132.2	143.2	272.8	405.4	0.04	0.05	0.05	0.08	0.12
Fish and fish products	8,980.9	8,785.9	11,335.3	11,776.2	16,742.26	3.37	2.85	3.12	3.11	2.89
Forest products	14,395.0	16,263.0	18,248.0	17,815.0	19,501.0	6.25	6.08	5.78	5.45	5.58
Energy	36,256.0	48,390.0	66,529.0	68,830.0	70,790.0	13.65	15.79	18.35	18.31	17.58
Chemicals	18,509.0	20,404.0	25,133.0	25,394.0	28,927.0	8.04	7.63	7.96	7.77	8.27
Natural and synthetic rubber	3,223.0	3,479.0	4,076.0	4,191.0	3,832.0	1.40	1.30	1.29	1.28	1.10
Fertilizer	2,230.2	2,363.3	2,893.0	2,689.0	2,215.0	0.97	0.88	0.92	0.82	0.63
Automotive	8,232.2	10,395.2	10,262.1	15,665.6	18,082.5	3.58	3.89	3.25	4.79	5.17
Oilseed and oilseed products	6,570.5	6,486.2	6,634.6	8,449.5	4,848.7	2.85	2.42	2.10	2.59	1.39
Civil aircraft	56.2	89.8	110.0	89.5	125.8	0.02	0.03	0.03	0.03	0.04
Food	108,113.0	124,166.0	139,884.0	149,123.0	156,440.0	46.97	46.42	44.28	45.63	44.75
Total	207,067.2	241,440.8	286,051.4	305,251.6	323,517.7	22.37	22.41	22.92	22.59	21.94

Note:

Shares refer to share in manufacturing gross value added except for the following:

- (1) fish & fish products - share in gross value added in manufacturing and fishery combined.
- (2) energy - share in gross value added of manufacturing, mining and electricity, water & gas combined
- (3) total - share in GDP

Sources: Philippine Statistical Yearbook, 1996; Annual Survey of Establishments (various years).

Table 4. Share to total Philippine employment, by sector, 1990-1993

Sector	Employment generated ('000)				Share to total employment (%)			
	1990	1991	1992	1993	1990	1991	1992	1993
Toy	3.4	4.1	4.7	4.3	0.28	0.34	0.37	0.35
Medical equipment & instruments	4.1	4.3	5.5	9.7	0.33	0.35	0.43	0.79
Gems and jewelry	3.2	3.5	5.2	2.8	0.26	0.29	0.40	0.23
Fish and fish products	50.5	52.5	50.6	50.1	4.04	4.18	3.90	4.01
Forest products	141.2	128.1	118.6	104.0	11.50	10.37	9.26	8.48
Energy	118.5	121.3	109.7	106.3	8.82	8.96	7.91	8.00
Chemicals	43.8	45.4	44.9	44.0	3.57	3.67	3.51	3.59
Natural rubber	30.1	27.3	30.7	24.3	2.45	2.21	2.40	1.98
Fertilizer	2.0	1.7	2.2	1.9	0.16	0.13	0.17	0.16
Automotive					0.00	0.00	0.00	0.00
Oilseeds and oilseed products	6.2	5.8	6.1	6.9	0.51	0.47	0.47	0.56
Civil aircraft	0.5	0.6	0.4	0.5	0.04	0.05	0.03	0.04
Food	355.9	353.8	342.1	342.2	28.99	28.64	26.70	27.90
Total	759.4	748.3	720.9	696.9	2.00	1.91	1.79	1.68

Note:

Shares refer to share in manufacturing employment except for the following:

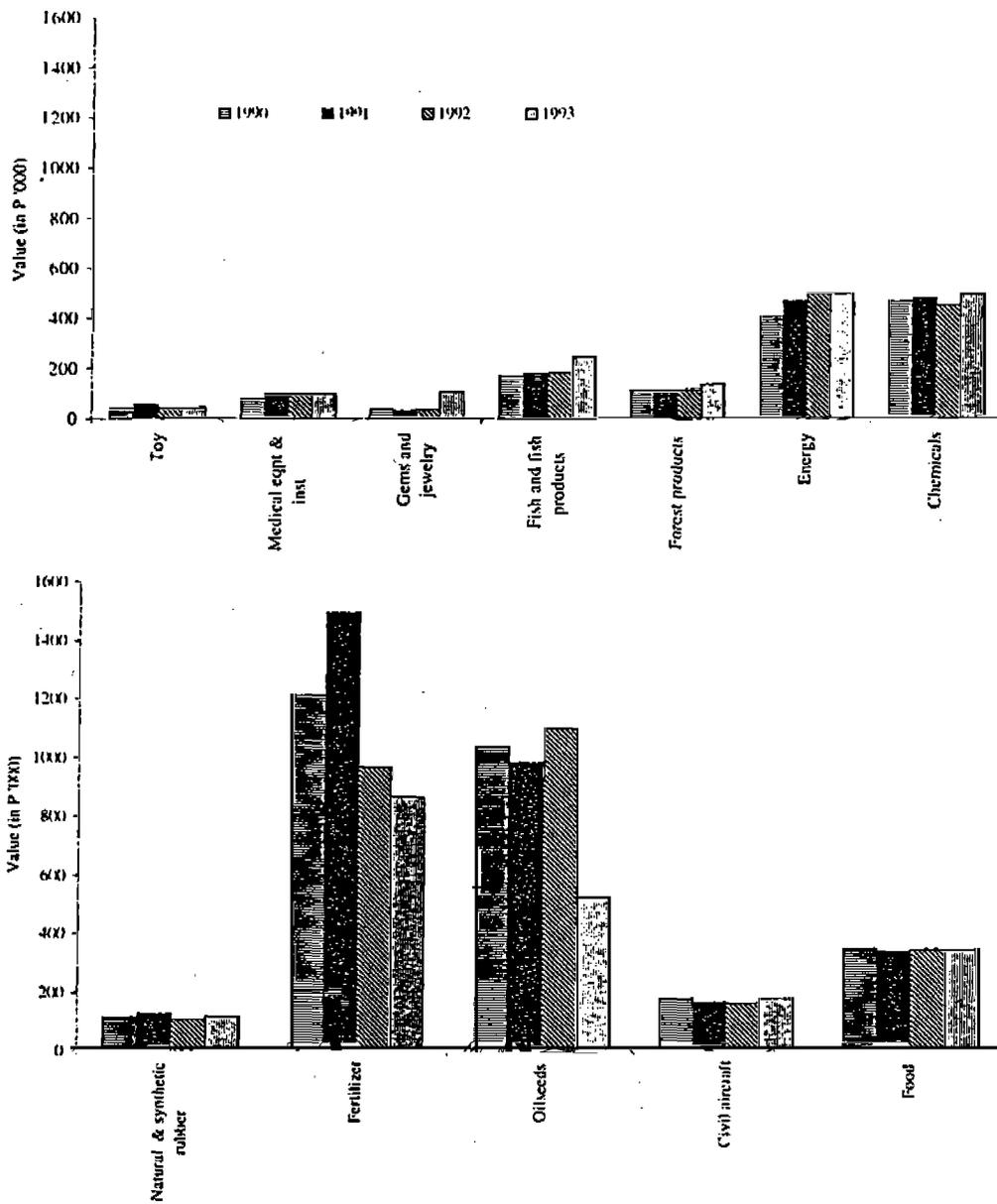
- (1) fish & fish products - share in employment in manufacturing and fishery combined
- (2) energy - share in total employment of manufacturing, mining and electricity, water & gas
- (3) total - share in total employment.

Sources: APEC-EVSL industry papers: Annual Survey of Establishments (various years).

Most of the sectors registered a positive annual growth of exports during the period 1994-1996, the highest growth rate being registered by the exports of rubber which reached almost 60 percent² (Table 5). On the other hand, the exports of gems and jewelry, fish and fish products, and medical equipment and instruments suffered from negative growth rates. The country is fast losing grounds on its exports of gems and jewelry because it has failed to keep up with foreign demand of new trends, designs and materials on costume and imitation jewelry which comprised about three-fourths of the country's exports of gems and jewelry (Quesada, et. al., 1998).

² Exports of rubber include natural rubber only since there are no local producer of synthetic rubber.

Figure 1. Labor productivity, 1990-1993 (1990 prices)



Sources: Philippine Statistical Yearbook, 1996; Annual Survey of Establishments (various years).

Table 5. Average annual growth rate of Philippine exports and imports, 1994-1996 (percent)

Sector	Exports	Imports
Toy	9.5	31.9
Environmental goods	15.9	32.8
Medical equipment & instruments	(6.4)	24.7
Gems and jewelry	(28.6)	5.1
Fish and fish products	(10.0)	20.5
Forest products	8.1	34.9
Energy	24.5	21.4
Chemicals	6.6	13.1
Telecommunications equipment		37.0
Natural and synthetic rubber	57.6	-
Fertilizer	2.1	13.3
Automotive	13.5	31.2
Oilseeds & oilseed products	8.1	(0.4)
Food	2.3	28.1
Civil aircraft	8.0	155.5
Total	5.7	37.0

Sources: APEC-EVSL industry papers; Bureau of Export Trade Promotion, Department of Trade and Industry.

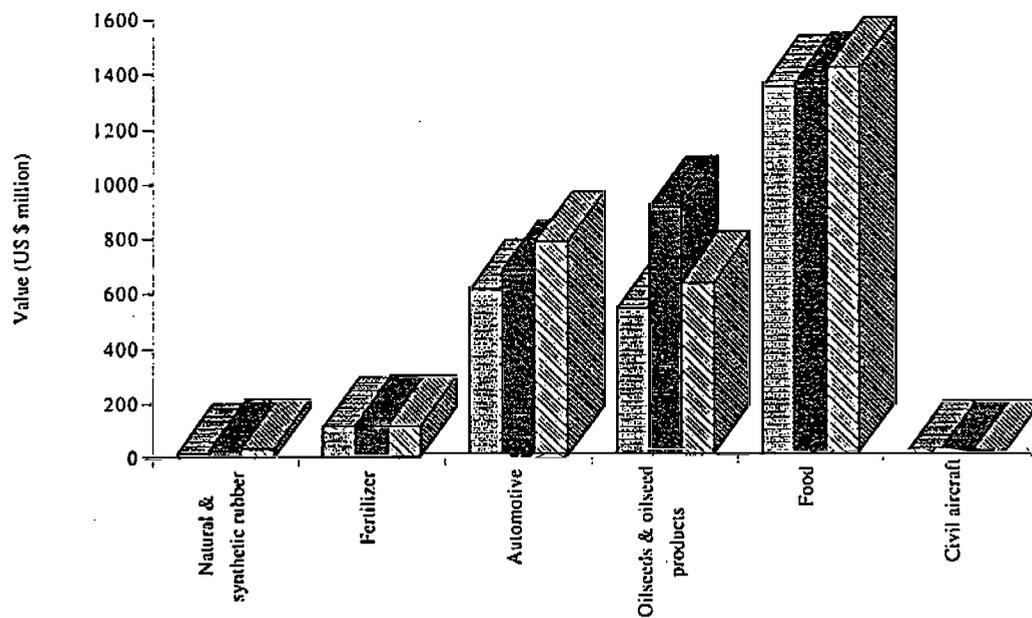
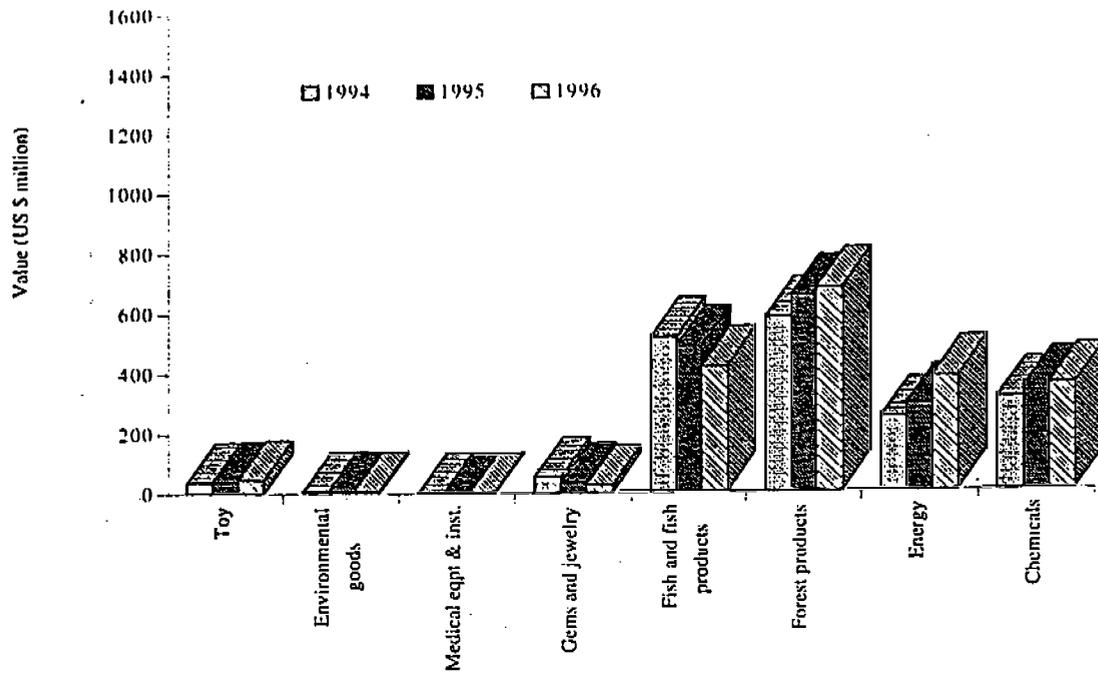
On the other hand, the increasing competitiveness of the fish and fish products from Thailand, China and Indonesia is giving the country a tough competition for its exports of fresh and frozen shellfish and prepared and preserved fish. In addition, the country's fishery sector suffered from a significant setback in 1995 due to the outbreak of shrimp disease in the Visayas region (Macam, et. al., 1998a).

The growth of the exports of toys, food, oilseed and oilseed products, and fertilizers was rather erratic and unstable during the 1990s. Exports of toys declined by 17 percent in 1997. The country is losing out to Indonesia for its exports of dolls and with South Korea in the exports of stuffed toys. The country's competitors in toys (which are mostly APEC members) have successfully developed their niche markets by enhancing the competitiveness of their toy industries through improved technology particularly in design and pattern-making. The country, however, has yet to develop its niche market (Austria, 1998).

The increasing competitiveness of the fertilizer industry of South Korea and Mexico is causing the unstable growth of the country's exports of fertilizer to its major markets namely, Thailand, Indonesia and Australia (Macam, et. al., 1998c). On the other hand, the fluctuation in the world price of coconut oil is affecting the

country's exports of coconut oil despite the fact that the country is the largest exporter of coconut oil in the world.

Figure 2. Value of exports, by sectors, 1994-1996



Sources: APEC-EVSL industry papers; Bureau of Export Trade Promotion, Department of Trade and Industry.

Table 6. Share to total Philippine exports and imports, 1994-1996 (percent).

Sector	Exports			Imports		
	1994	1995	1996	1994	1995	1996
Toy	0.01	0.01	0.01	0.07	0.08	0.08
Environmental goods	0.03	0.03	0.03	2.09	2.07	2.33
Medical equipment & instruments	0.02	0.01	0.01	1.06	0.93	1.04
Gems and jewelry	0.42	0.21	0.14	0.01	0.01	0.01
Fish and fish products	3.84	2.80	2.04	0.60	1.01	0.57
Forest products	4.31	3.75	3.31	2.27	2.82	2.72
Energy	1.20	1.09	1.18	15.17	14.02	14.13
Chemicals	1.51	1.29	1.09	14.90	13.63	12.04
Telecommunication eqpt				4.08	4.74	5.04
Natural & synthetic rubber*	0.10	0.16	0.16	-	-	-
Fertilizer	0.82	0.69	0.56	1.09	1.08	0.92
Automotive	4.58	3.96	3.89	4.83	5.33	5.48
Oilseeds & oilseed products	4.05	5.28	3.12	0.97	0.92	0.63
Food	9.95	7.75	6.84	6.50	7.17	7.10
Civil aircraft	0.00	0.01	0.00	1.04	2.67	4.31
Total	30.84	27.05	22.38	54.69	56.48	56.40

* - share is less than 0.1 percent.

Sources: APEC-EVSL industry papers, Bureau of Export Trade Promotion, Department of Trade and Industry.

Export markets. The APEC region is the country's major export market for most of the 15 sectors (Table 7). The increasing importance of the region to the country is shown further by the rising share of the region to the country's exports in the 1990s. An exception to this is civil aircraft parts which are exported largely to Europe, particularly Belgium and France. Export of this industry to APEC declined from 17 percent of total exports in 1993 to only 1 percent of total exports in 1996.

The Philippines is a very small player in the APEC region, supplying less than 1 percent of the total imports of individual economies of toys, gems and jewelry, chemicals, environmental goods, medical equipment, energy, automotive and automotive parts, civil aircraft parts and natural rubber (Appendix Table 1). The share of the country in Malaysia's imports of natural rubber in 1992 was 15 percent but this went down to only 9 percent in 1995 (Appendix Table 1).

Table 7. Share of APEC to total Philippine exports and imports, 1994-1996 (percent)

Sector	Exports			Imports		
	1994	1995	1996	1994	1995	1996
Toy	70.3	67.3	72.1	95.2	96.6	94.9
Medical equipment	86.5	93.7	98.6	73.1	76.7	84.1
Gems and jewelry	54.2	57.7	60.4	84.7	80.6	88.1
Fish and fish products	80.7	85.4	83.2	80.7	85.4	83.2
Forest products	68.4	69.3	68.3	67.3	80.6	81.9
Energy	98.0	92.4	92.4	36.8	19.1	20.5
Chemicals	72.9	59.6	64.0	67.9	68.4	66.1
Natural and synthetic rubber	92.7	93.8	99.6	81.4	78.3	82.2
Fertilizer	52.9	28.0	30.7	51.9	56.6	53.7
Automotive	92.7	86.0	83.5	97.1	94.6	94.8
Oilseed and oilseed products	55.0	56.1	64.1	65.1	77.6	65.9
Food	77.7	80.8	80.2	73.5	73.7	67.8
Civil aircraft	17.1	10.5	1.1	67.0	64.1	81.8

Sources: APEC-EVSL industry papers; Foreign Trade Statistics, 1994-1996.

While Japan and the US are the country's major markets for its exports of fish and fish products and food, the country is slowly losing its competitiveness as shown by its declining share in the imports of these two countries (Appendix Table 1).

Likewise, the share of the Philippines in its major export markets for fertilizer has been declining. For example, the country supplied one-fourth of Indonesia's imports of fertilizer in 1991 but this went down to 5 percent in 1995 (Appendix Table 1). Also, the share of the country in Australia's imports of fertilizer decreased from 4.4 percent in 1991 to 0.7 percent in 1995. As discussed earlier, South Korea and Mexico are becoming the country's emerging competitors in the fertilizer industry in the region. Because of this, the country has shifted to Vietnam, Middle East and Russia for its export of fertilizer. This explains the sharp fall in the share of APEC in the country's export of fertilizer from 70 percent in 1992 to 53 percent and 31 percent in 1994 and 1996, respectively (Table 7).

However, there are a few commodities in which the country enjoys having the highest share in exports in the region. These include coconuts, bananas and pineapples. Nevertheless, the country has been losing its niche market in some of these products. For example, while the country is the major exporter of coconuts in APEC, it is losing its competitiveness on the product in its major markets like Australia, Canada, Japan and the US. The share of the country in the imports of coconuts by these countries has been declining in the 1990s. Also, the country's share in the imports of Hong Kong and Singapore of bananas and mangoes is going down; the same is true with Japan's imports of Philippine mangoes (Austria and Paracuelles, 1998).

The country has a captive market in oilseeds and oilseed products in the region. The country is gaining strength in its exports of the following products: (i) refined coconut oil in Canada where the country's share in Canada's total imports of the product almost doubled between 1994 and 1995; (ii) crude coconut oil in Malaysia where the country's share more than doubled between 1992 and 1995; and (iii) copra meal in South Korea where the country's share also rose from 66 percent in 1992 to 72 percent in 1995 (Table 8). Indonesia continues to source almost 100 percent of its imports of crude coconut oil from the country.

The country's coconut oil exports enter the US duty free (Dy, et. al, 1998). However, the share of the country in the US imports of coconut oil has registered significant fluctuation (Table 8). This could be explained by the presence of substitutes to the country's coconut oil.

Table 8. Share of Philippines to total imports of oilseed and oilseed products of APEC economies, 1991-1995.

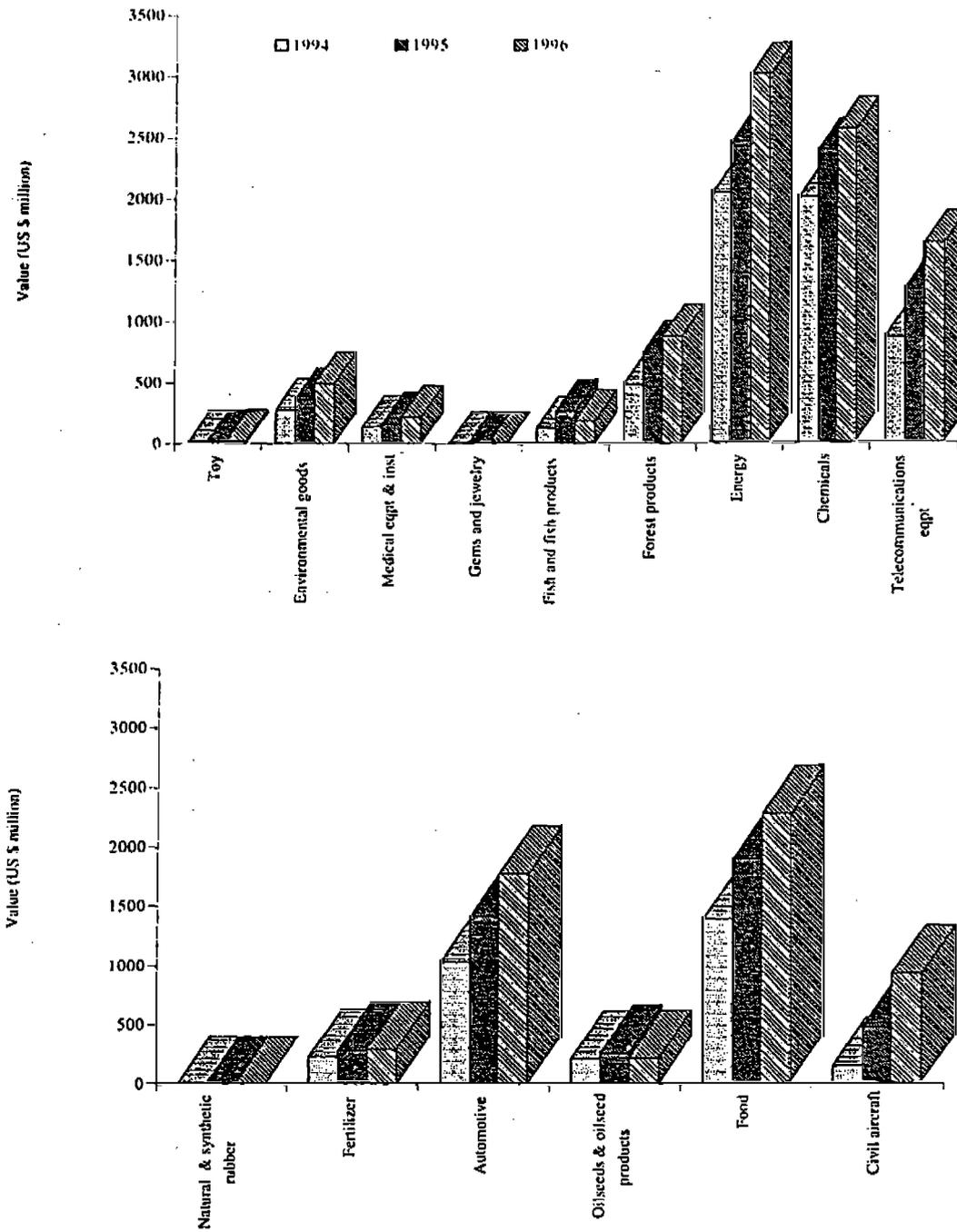
Country	1991	1992	1993	1994	1995
Canada*	39.30	46.77	39.71	37.66	71.15
China		22.63	20.76	17.87	19.41
Hongkong				9.83	34.51
Indonesia*	45.06	91.15	93.80	99.79	99.76
Japan	26.48	24.67	26.01	33.80	33.95
Korea*	88.67	65.70	94.02	56.20	81.93
Malaysia*	64.27	41.37	58.83	82.96	91.36
Mexico	4.73			75.16	89.58
Singapore	8.14	43.32	1.53	29.56	25.63
Thailand	90.07	85.25	45.57	81.34	96.84
United States*	51.10	53.98	48.07	45.47	65.92

Note: Those with asterisks are the major export markets of the Philippines.

Source: PC Trade Analysis System, UNCTAD.

Imports. Total imports of the 15 sectors comprised about 55 percent of the country's total imports and are growing more rapidly than exports (Table 6 and Table 5). The rapid increase is due primarily to trade reforms, deregulation and the rise in income in recent years. Value of imports rose from US\$9 billion in 1994 to US\$14.5 billion in 1996, registering an average growth rate of 37 percent per year (Figure 3 and Table 5).

Figure 3. Value of imports, by sectors, 1994-1996.



Sources: APEC-EVSL industry papers; Bureau of Export Trade Promotion, Department of Trade and Industry.

Telecommunications and civil aircraft registered the highest annual growth rate of imports between 1994 and 1996 (Table 5). The deregulation of the telecommunications industry in 1993 and of civil aviation in 1995 resulted to the rapid increase in imports of telecommunications equipment and aircraft parts. There are no local manufacturers for these products; hence, the heavy dependence of these industries on imports. Imports of telecommunications equipment include switching apparatus, cellphones, telephone sets, fax machine, modem, etc. while majority of imports of aircraft parts include aircraft tires, engines and electrical parts. Since there are no local manufacturers for these products, the early voluntary liberalization of these two industries will be beneficial for the country as EVSL will result to lower import price (Chua, 1998; Aldaba 1998).

The automotive industry is also largely import dependent, despite the 45 percent local content requirement. Since the local content requirement includes the cost of assembly, it is hardly a significant factor in the computation of value added (Romea and Carandang, 1998). Imports of motor car and other vehicles for the transport of persons accounted for a big portion of the industry's imports. This is followed by parts and accessories such as engines, chassis, transmission, panels, fuel tanks, axles, head lights, break pads, and dashboards.

Import of rubber is basically synthetic rubber since there are no local manufacturers of synthetic rubber (Macam, et. al., 1998d). About 70 percent of the imports of fish and fish products industry is fish meal; and 80 percent of the imports of oilseeds and oilseed products is soybean meal. Both products are important ingredients in the manufacture of animal feeds (Macam, et. al. 1998a; Dy, et. al, 1998).

The rapid increase in the imports of food is due to the dismal performance of the food and agriculture sector in providing food not only for direct consumption but also as raw materials for the food processing industries (Austria and Paracuelles, 1998). The adverse effects of El Nino on agricultural production will further increase the imports of foods for the next few years.

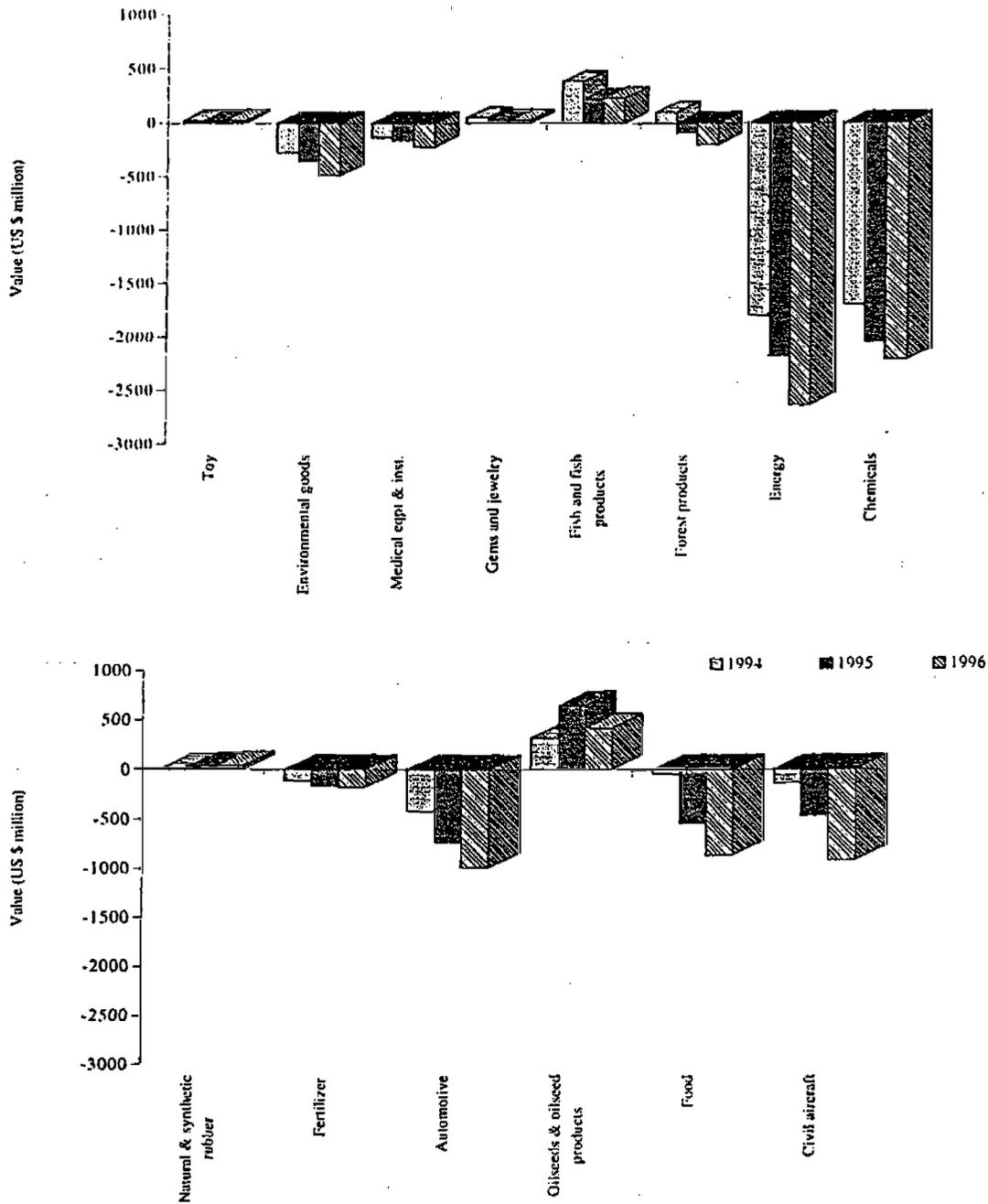
About 42-47 percent of the imports of fertilizer is urea (Macam, et. al., 1998c). Again, there are no local industries producing this type of fertilizer. The bulk of energy imports include crude petroleum, petroleum products, coal and petroleum oils. On the other hand, the country's major imports of toys belong to the high-end and high-technology type of toys such as video games and other disc-operated machine games (Austria, 1998). However, the non-enforcement of toy standards makes the country a dumping ground for cheap low quality unsafe toys. This trading practice creates unnecessary competition in the local market to the detriment of the local toy producers.

Sources of imports. Just like in exports, the APEC region is the major source of the country's imports, except for energy which is imported largely from the Middle East. (Table 7).

Net trade. The country is a net importer in most of the 15 sectors and the trade deficit has worsened between 1994 and 1996 (Figure 4). The sectors that registered trade surpluses are toys, gems and jewelry, fish and fish products, natural

and synthetic rubber and oilseeds and oilseed products. However, except for natural and synthetic rubber, the net trade position of these sectors is weakening.

Figure 4. Net trade, by sector, 1994-1996.



Sources: APEC-EVSL industry papers; Bureau of Export Trade Promotion, Department of Trade and Industry.

Likely Impact of EVSL on the Philippines

Tariffs and non-tariff barriers are distortions in the market that hinder trade and cause trade and welfare losses. The effects of the reduction and/or removal of these distortions are well documented in the literature and hence, will not be discussed in detail here³. As a summary, the primary gain from trade liberalization comes from the improvement in resource allocation as the factors of production are reallocated from the formerly protected sectors to the more efficient sectors.

However, there are dynamic effects that go well beyond efficiency improvements. Trade liberalization and market integration enhance competition, promotes more rational international specialization of production, and enhances the international transmission of innovation and knowledge.

The sectoral studies on EVSL all agree on the likely benefits that liberalization may bring to the country. However, the studies have also shown that most of the sectors are not competitive *yet* to be able to withstand the competitive pressure that comes from greater imports. The 3 percent tariff level to which most of the products/commodities of the sectors belong to is already considered low (Table 2). An acceleration of tariff reduction below 3 percent will put a greater strain on the sectors, specially that most of them are considered sensitive industries. Likewise, as discussed earlier, even on products or commodities that the country enjoys greater market share in the region, the country has been losing its competitiveness.

The sectors are not competitive in the sense that they are confronted with sectoral problems that need to be addressed first to enhance their competitiveness⁴. Some of these problems are external to the country and hence, can only be addressed in international fora and bodies, like APEC. The strategies that the government can adopt in the EVSL process to address the external problems are discussed in the next section.

Nonetheless, the studies have also shown that a gradual reduction of tariffs and the implementation of government programs that would address the sectoral problems would gradually induce them to attain greater efficiency until such time that they are ready for a free and open trade. *Most of the sectors are considered better prepared for global liberalization by the year 2004.*

An exception to the above, however, is the proposal on telecommunications MRA and civil aircraft. Given that the country does not have a local manufacturing industry for telecommunications equipment and given also that the existing regulatory requirements related to testing and certification hamper the flow of trade in telecommunications equipment, the MRA would be beneficial to the country. Since under the MRA, the local carriers no longer have to conduct their own tests on the equipment that they are importing, their resources are freed and can therefore be re-allocated to better use.

³ These include, among others, expansion of and better access to international markets; cheaper imports which could also lead to lower production cost for other industries who use imported inputs; better quality and wide choices of products; and elimination of inefficient producers.

⁴ See the industry studies for a detailed discussion of the problems.

Similarly, the country has no local producer for civil aircraft and parts. However, the country has a strong export and domestic potential for civil aircraft maintenance and service. The EVSL on civil aircraft can then be used as a strategy to encourage the development of the aircraft maintenance and service industry which later can open opportunities for the country to build its own civil aircraft manufacturing industry.

Philippine Government Strategy in Its Participation in EVSL

As discussed above, the Philippines is not ready yet for the early liberalization of all the 15 sectors. However, the country should use the EVSL initiative as a strategy to prepare and position the sectors for their eventual liberalization in the future. The government can still advance its own interests by influencing the EVSL process. *The benefits that the Philippines can derive from participating in the EVSL initiative hinge on how far the country can succeed in pushing for the following issues:*

- *Push for the elimination of production and export subsidies by the developed member economies* - It is important to level the playing field in the region. Since the tariff rates of the developed member economies are already low for most of the sectors, there is nothing more to gain from further tariff reductions. The government should therefore use the EVSL process to force the developed member economies to eliminate their production and export subsidies and other domestic support to their local producers and manufacturers. If this is achieved, EVSL will make it possible for the country to have greater access to the markets of the developed economies. This is particularly true for the food sector, fish and fish products, and oilseeds and oilseed products.
- *Push for facilitation measures, particularly the harmonization of sanitary and phyto-sanitary standards and other importing country regulations* – Quality specifications and standards are given less emphasis in the EVSL proposals. Many developed member economies like the US and Australia impose quality standards which most exporters such as developing economies, including the Philippines, find difficult to meet.

Standards are necessary to safeguard consumer health and safety and to protect the environment. However, the diverse standards and technical regulations among APEC economies along with the corresponding testing procedures for compliance limits market access by raising production and testing costs. It also increases the possibility of products being rejected at the custom border of the importing economy. For example, in 1997, the imposition by the US and the European Union of good manufacturing practice (GMP) and hazard analysis and critical control point (HACCP) have displaced a lot of Filipino exporters who did not have the necessary systems in place. Hence, the harmonization of these standards and regulations will lead to the expansion of and better access to markets in APEC.

- *Push for economic and technical cooperation measures* - APEC economies have different levels of development and face diverse circumstances. Hence, the government should push for the identification and implementation of economic

and technical cooperation measures that will build the capacities of developing economies and hence, enhance their competitiveness. Only then can the EVSL initiative be mutually beneficial to participating economies.

An APEC-EVSL Action Plan for the Philippines

Considering the discussions above, the country will agree to an early sectoral liberalization but applying APEC's principle on differentiated timetable, i.e. liberalization at a later date than originally proposed. As discussed earlier however, exceptions to this are the proposals on telecommunications MRA and civil aircraft. Because of the benefits that the country could get from these two proposals, it is recommended that the country should sign to the telecommunications MRA as scheduled and endorse the EVSL of the Philippine civil aircraft industry.

(i) EVSL Tariff Reduction Program

For the remaining sectors, a summary of the proposed EVSL tariff reduction schedule that is considered beneficial for the country is presented in Table 9. In general, the tariff reduction schedule under the Tariff Reform Program (TRP) is recommended to apply for products or commodities where there are local producers or manufacturers.

On the other hand, the elimination of tariff, as soon as possible, is recommended for products and commodities where there are no local producers. As discussed earlier, these are the products whose imports have grown relatively faster than the other sectors. These include civil aircraft parts specifically identified for aircraft use; oilseed and oilseed products other than coconut oil, soybean oil, palm kernel oil and palm oil; synthetic rubber; jewelry raw materials, loose gems, jewelry components, parts and pieces, except South Sea pearls; and wheeled toys designed to be ridden by children and electrical train toys.

(ii) Elimination of non-tariff barriers

The non-tariff barriers that are proposed to be eliminated are summarized in Table 10.

(iii) Facilitation and economic and technical cooperation measures

Table 11 contains a summary of the facilitation and economic and technical cooperation measures for each sector that the Philippines can advance in APEC. These measures are expected to balance the EVSL package to make it mutually beneficial to all participating economies. Most of the facilitation measures include mutual recognition agreement on standards, and harmonization of importing country regulations particularly on sanitary and phyto-sanitary standards. On the other hand, the common economic and technical cooperation measures for the sectors are in the areas of training/seminars, R&D, technical assistance, technology transfer and establishment of testing facilities.

(iv) *Domestic programs for the government and the sectors*

As discussed earlier, the enhancement of the competitiveness of the sectors depends not only on the facilitation and economic and technical cooperation measures, but more importantly, on the solutions to the sectoral problems which require the actions of both the government and the sectors themselves. The government plays a crucial role in reducing the cost of adjustment required by the shift in production that will result from a more open environment.

Some of the sectoral problems need to be addressed first before the country can take part in some of the facilitation and economic and technical cooperation programs. A very good example to illustrate this point is mutual recognition agreement on standards in toys. The country needs to formulate first the Implementing Rules and Regulations (IRR) on Philippine Toy Standards before other economies can agree on the country's standards.

Hence, unless the domestic programs are in place, it might prove difficult for the sectors to fully take advantage of the facilitation and economic and technical cooperation programs. A summary of these programs is found in Table 12.

Remaining Issues

The quantitative impact of EVSL on the economy remains an empirical issue. The approach in the sectoral studies undertaken to analyze the likely impact of the EVSL initiative on the country did not allow for a general equilibrium analysis. Hence, the effects of a reduction in tariffs and the removal of non-tariff barriers on the downstream and upstream industries were not addressed and this becomes crucial since most of the sectors proposed for EVSL produce inputs to other industries.

There is a possible danger that EVSL can create further distortions in the economy. For example, food and fish and fish products are nominated for EVSL but packaging materials are not. If tariffs on food and the fish sectors are reduced and the protection on packaging materials are not reduced, then the former are being taxed. Similar analysis applies to parts and components. If the parts and components liberalized are inputs and the protection on the output is not reduced, then the effective rate of protection on the output is increased. These issues can be the subject of further studies.

At the international level, EVSL could undermine broader commitments to the WTO. There is a possible danger that if certain economies were able to achieve their liberalization objectives through EVSL in the sectors that were of most importance to them, there would be less incentive for them to support the WTO's more general efforts toward global free trade.

Table 9. Proposed Tariff Schedule for EVSL.

Sector	Recommendations
Toys	Follow TRP rates, except for HS 9501 and HS 9503.10 where the elimination of tariff is possible.
Environmental goods and services	Elimination of rate tariff as early as 1999 or 2000 for 37 products perceived as critical to environmental protection and management but are either not locally manufactured or locally manufactured but not in sufficient quantity.
Medical equipment and instruments	<ul style="list-style-type: none"> - Elimination of tariff as early as 2001 for products which are not locally produced. - Follow TRP rates for products which are locally produced or about to be locally produced.
Gems and jewelry	<ul style="list-style-type: none"> - Elimination of tariff, at the soonest possible time, for jewelry raw materials, loose gems, jewelry components, parts, pieces, except South Sea pearls. - Conditional tariff reduction on finished costume/imitation jewelry, i.e. elimination of tariff so long as tariff for raw materials are also eliminated. - Follow TRP rates for finished fine jewelry. - Delay elimination of tariff for South Sea pearls.
Fish and fish products	Follow TRP rates; liberalize first the raw materials for the industry, especially those not locally produced.
Forest Products	<ul style="list-style-type: none"> - Follow TRP rates for finished products and locally produced intermediate products. - Faster liberalization (than TRP) for intermediate products not locally produced.
Energy	Follow TRP rates, except for natural gas which can be reduced to 5 percent or be harmonized with the 3 percent rate for other oil products.
Chemicals	Follow TRP rates.

Con't Table 9

Sector	Recommendations
Food	<ul style="list-style-type: none"> - Follow TRP rates for products which are already being produced or whose production can be further developed. - Early liberalization for products which are vital to food processing. - Thorough study on tariff reduction program of sensitive products which presently have very high tariff.
Fertilizer	<ul style="list-style-type: none"> - Follow TRP rates for all locally produced fertilizers. - Faster liberalization for non-locally produced fertilizers.
Natural and synthetic rubber	<ul style="list-style-type: none"> - Increase current TRP rate from 3 percent to 5 percent for natural rubber. - Elimination of tariff for synthetic rubber as soon as possible.
Oilseeds and oilseed products	<ul style="list-style-type: none"> - Follow TRP rates for coconut oil, soybean oil, palm kernel oil and palm oil. - Elimination of tariff for all other oilseed and oilseed products.
Automotive	<ul style="list-style-type: none"> - Follow TRP rates for automotive parts and components. - Early liberalization for CKD engine parts for motorcycles and CBU motorcycles of an engine displacement of 1,000 cc or higher.
Civil Aircraft	<ul style="list-style-type: none"> - Elimination of tariff as soon as possible for products specifically identified for aircraft use. - Follow TRP rates for products which are also inputs to other industries.
Telecommunications MRA	Commit to the MRA.

Note: See the industry studies on EVSL for the proposed EVSL tariff schedule by product line.

Table 10. Summary on the elimination of non-tariff barriers in EVSL, by sector.

Sector	Non-Tariff Measures
Fish & Fish Products Sector	1. Eliminate NTMs on fish and fish products not later than 31 December 2007. These include quantitative import/export restrictions, export subsidies and import/export levies.
Forest Products Sector	Conduct a study by 1 October 1998 of NTMs and other trade distorting policies which may impede market access <ul style="list-style-type: none">• Endorse proposal for the NTM study of all APEC economies• Eliminate NTMs prioritized as follows: (1) quantitative import/export restrictions, excluding log export restrictions, (2) export subsidies, (3) import/export levies, and (4) others.
Oilseeds & Oilseed Products Sector	1. Elimination or substantial reduction of production and export subsidies by developed member economies of APEC. 2. Review of the requirement of some foreign carriers on a minimum 4,000 ton load for vegetable oil exports to the US and Europe. 3. Review of other prohibitive shipping regulations which are common issues with Malaysia and Indonesia. 4. Review of the Clayton Act of the US which serves to legalize the cartel of the American Soybean Association.
Food Sector	1. Elimination or substantial reduction of production and export subsidies on food and agriculture by developed member economies of APEC. 2. Harmonization of sanitary and phyto-sanitary standards among the member economies.

Source: APEC-EVSL industry papers.

Table 11. Summary of Facilitation and Economic & Technical Cooperation Measures proposed under EVSL, by sector.

Sector	Facilitation Measures	Ecotech Measures
Toy Sector	<ol style="list-style-type: none"> 1. Development of a comprehensive database for the APEC toy industry <ul style="list-style-type: none"> • detailed character and demands of APEC consumers • business practices, customs, patterns of behavior in APEC economies • preferred distribution system • detailed quality control standards and requirements of targeted markets 2. Mutual recognition agreement of toy standards 3. Promotion of foreign direct investments 	<ol style="list-style-type: none"> 1. R & D on merchandise development 2. Technology transfer, particularly in computer applications in production and in design and pattern-making from Hongkong, China & US 3. Extensive training program for all subsectors of the toy industry 4. Establishment of facilities for standard testing and training of personnel for standard testing and implementation 5. Creation of a pool of internationally well-known toy experts to help developing APEC economies develop their toy SMEs
Environmental Goods & Services Sector		<ol style="list-style-type: none"> 1. Conduct of seminars and information campaigns 2. Creation of an APEC-wide organization of consultants and other providers of services 3. Establishment of a technology transfer program from developed countries 4. Establishment of an APEC based development fund which can provide cheap financing to SMEs in the sector 5. Conduct of an APEC-wide study on the potential market for environmental goods and services in the region
Medical Equipment, Instruments & Devices		<ol style="list-style-type: none"> 1. Technical assistance in the establishment of testing facilities 2. Training programs for BFAD staff 3. 5-10 year guarantee on parts availability of imported medical equipment

Con't Table 11

Sector	Facilitation Measures	Ecotech Measures
Gems & Jewelry Sector	<ol style="list-style-type: none"> 1. Mutual recognition agreement on jewelry standards 	<ol style="list-style-type: none"> 1. Technical assistance in the establishment of assay services 2. Technical support for skill standardization and certification program, and trade testing 3. Establishment of an APEC Regional Jewelry Training Center in the Philippines 4. Technology transfer and exchange on product design and development, pollution control and waste management, and the upgrading of production technology 5. Development of natural dyes
Fish & Fish Products Sector	<ol style="list-style-type: none"> 1. Review & identify participating economy sanitary measures on fish and fish products inconsistent with the WTO <ul style="list-style-type: none"> • Task the Fisheries Working Group and/or CTI Sub-Committee on Standards and Conformance to undertake the review regarding SPS measures of APEC economies 2. Removal of standards inconsistent with the WTO Agreement on SPS by 31 December 2003, in consultation with the CTI Sub-committee on Standards & Conformance <ul style="list-style-type: none"> • harmonize fish and fish products standards, guidelines and/or recommendations with the international standards • standard principles for the enhancement of the food safety and quality of fish and fish products 	<ol style="list-style-type: none"> 1. Technical cooperation to strengthen scientific research on domestic & transboundary fish stocks 2. Tech'l cooperation on the standardization and application fisheries statistical methodologies used on resource management 3. Technical cooperation on the development of fisheries management policies and program 4. Enhanced int'l technical cooperation on joint management and sharing of straddling stocks & of high migratory fish stocks access to transnational boundaries 5. Enforcement of fisheries management regulations 6. Implement other ecotech measures to promote and sustain the development of the fishery sector 7. Technical cooperation to design and improve cost effective fishing technologies 8. Technical collaboration and training in the development and implementation of modern inspection systems based on HACCP 9. Technical cooperation to assist exporting countries to meet SPS requirements

Con't Table 11

Sector	Facilitation Measures	Ecotech Measures
Forest Products Sector	1. Performance-based (non-prescriptive) alternatives for all building and construction codes	10. Technical assistance to upgrade existing laboratories and equipment for testing of standards 11. Enhanced international technical cooperation in R & D regarding disease abatement for agr'l products, esp. shrimp 12. Enhanced cooperation to implement existing international and regional instruments concerning marine pollution in each economy 13. Facilitate cooperation & technology transfer in the areas of sustainable aquaculture, deep-sea fishing, resource conservation techniques and stock breeding know-how between participating APEC economies 14. Enhanced cooperation and technical transfer between participating APEC economies in coastal zone management and related planning and training 15. Technology transfer on the monitoring of fish diseases and fish stocks
	2. Support work to develop international standards by APEC	1. Technical cooperation to design and improve wood and paper products mfg. Technologies taking into consideration environmental and conservation issues
	3. Alignment of the Philippine standards to international standards	2. Economic & technical assistance measure to develop the Philippine local wood and paper industries 3. Technical assistance to develop an overall framework for Sustainable Forest Management 4. R & D of other fiber substitutes as reserve material for papermaking 5. Technology exchange programs

Con't Table 11

Sectors	Facilitation Measures	Ecotech Measures
Chemicals Sector		<ol style="list-style-type: none"> 6. Enhancement of government's pollution control and other ecology related programs 7. Technical collaboration with established organizations (e.g. TAPPI-USA, APPITA) 8. ISO400 Certification 9. Technical training for government-related agencies on product specification 10. Technology transfer (laboratory and testing equipment) 11. Technical cooperation to develop new products
Natural & Synthetic Rubber Sector		<ol style="list-style-type: none"> 1. Production and manufacturing technology transfer to improve productivity 2. R & D on the current state-of-the-art production of different rubber products 3. Establishment of facilities for standard testing and training of personnel for standards testing and implementation 4. Creation of a pool of internationally well-known experts in rubber processing and technology
Fertilizer Sector		<ol style="list-style-type: none"> 1. Production & manufacturing technology transfer to increase productivity 2. R & D on the current state-of-the-art production of different fertilizer products

Con't Table 11

Sectors	Facilitation Measures	Ecotech Measures
Automotive Sector	<ol style="list-style-type: none"> 1. Harmonization of standards and regulations, but taking into account on-going discussions on the harmonization of Emission and Safety Standards under AFTA 2. Harmonization of customs procedures, but also taking into account on-going discussions on the issue under AFTA 	<ol style="list-style-type: none"> 3. Establishment of facilities for standard testing and training of personnel for standards testing and implementation 4. Creation of a pool of internationally well-known experts in fertilizer processing & technology <ol style="list-style-type: none"> 1. Development and implementation of new education and training programs to improve automotive safety and emissions standards and regulations, traffic control measures, and customs procedures 2. Establishment of an APEC-sponsored consulting firm to help manufacturers meet the requirements of some international quality assurance standards, such as ISO 9000. 3. Technology upgrading program to be sponsored by Japan & US 4. Encourage OEMs to tie up with local participants to come up with higher quality parts and components
Oilseeds & Oilseed Products Sector	<ol style="list-style-type: none"> 1. Review of the stringent standard on aflatoxin content on copra meal exports which the Philippines is finding technologically hard to comply with 2. Review of the EC directive on food hygiene requiring that the three prior cargoes of the ship should be food. 3. Ban on the use of thermal heating oil as heating medium in the processing, storage, and transport of vegetable oils 	<ol style="list-style-type: none"> 1. APEC countries can focus their ODA projects for rural infrastructure in Mindanao 2. Request for fertilizer grants from Canada particularly potash 3. Implementation of a direct selling scheme through a marketing tie-up of farmers' organizations with foreign users
Food Sector	<ol style="list-style-type: none"> 1. Mutual recognition agreement of food standards 	<ol style="list-style-type: none"> 1. Technical assistance from developed APEC member economies to Philippine companies on setting up their HACCP and ISO accreditation

Con't Table 11

Sector	Facilitation Measures	Ecotech Measures
	<ol style="list-style-type: none"> 2. Alignment of food labeling standards with international standards by APEC member economies 	<ol style="list-style-type: none"> 2. Training for food technicians/analysts on international food standards and method of analysis 3. Access to updated technologies on new-farming methods and processing/manufacturing systems to improve productivity 4. Studies on the impact of tariff and non-tariff barriers on selected food sectors critical to the APEC region
<p>Civil Aircraft Sector</p>		<ol style="list-style-type: none"> 1. Technical assistance from Canada on the improvement of the Bureau of Customs import clearance process with the ultimate aim of adapting a virtual custom administration 2. Student exchange/training programs on aeronautical engineering and related courses, particularly with Australia, US & Singapore

Source: APEC-EVSL industry papers.

Table 12. Summary of Domestic Programs under the EVSL, by sector.

Sector	by the Philippine Government	by the Sector
Toy Sector	<ol style="list-style-type: none"> 1. Strict enforcement and implementation of <i>Philippine toy standards</i> 2. Information dissemination to consumers and retailers associations on toy safety standards 3. Strict enforcement of toys labeling 4. Formulation of specific heading/s for educational toys 5. Provision of financial loan facility 6. Intensive marketing and investment promotion abroad 7. Development of domestic producers of raw materials 8. Creation of a government body that will supervise and administer the development of the toy industry 	<ol style="list-style-type: none"> 1. Comprehensive toy industry study and industry plan 2. A pro-active and functional PHILTOY 3. Relocation of production facilities outside of Metro Manila 4. Increased use of sub-contracting
Environmental Goods & Services Sector	<ol style="list-style-type: none"> 1. Streamlining the bureaucracy 2. Extension of government assistance to the local producers in product promotion and market development in international markets 3. Strong support to the local consultants and other providers of environmental services in the search for consulting opportunities abroad 4. Strong support for product R & D 5. Establishment of strong linkage between the government and the private sector in the conduct of R & D 6. Establishment of a technology dissemination program 7. Conduct of a detailed study of the local environmental goods and services industry 	
Medical Equipment, Instruments & Devices	<ol style="list-style-type: none"> 1. Preparation of a policy paper by the DOH calling for fast track procedure for products with short life span 2. A unilateral decision by the BFAD in recognizing product certification made by other countries 3. Encourage BFAD to be more proactive and facilitative 4. Proper reclassification by the Tariff Commission of products not classified under the sector 	
Gems & Jewelry Sector	<ol style="list-style-type: none"> 1. Accelerate the completion of the industry's Implementing Rules and Regulations (IRR) of RA 8502 	

Con't Table 12

Sector	by the Philippine Government	by the Sector
	<ol style="list-style-type: none"> 2. Establishment of Assay Services 3. Access to financing 4. Financial and marketing assistance to small firms especially towards exportation 5. Support in international promotions 6. Design and product development assistance 7. Develop support industries like gold & silver mining, and jewelry equipment manufacturers 8. Open the market to international and local trading of raw gold and factory gold waste 9. Organize authorized gold and silver outlets nationwide 10. Implementation of Philippine National Standards on Jewelry 11. Setting of ecology measures for improving fresh water bodies for possible fresh water pearl culture 	
Chemicals Sector	<ol style="list-style-type: none"> 1. Reduction of processing time at the Bureau of Customs 2. Clean Air Act should include incinerators 3. Review legal procedures on dumping cases 4. Review cabotage law to liberalize the domestic shipping industry 5. Upgrade ports and reduce power rates 6. Support fully MO 447 7. Improvement of road access to plants 	
Natural & Synthetic Rubber Sector	<ol style="list-style-type: none"> 1. Massive rubber tree planting and replanting program <ul style="list-style-type: none"> • encourage cooperatives to attract investments into organized plantations, access to funding and to technology • give the existing CARP beneficiaries access to financing schemes that are suitable for long-gestation crops such as rubber 2. Improve productivity and quality of natural rubber <ul style="list-style-type: none"> • intensive information campaign • increase seed accessibility to Rubber Testing Centers • Create Rubber Price Monitoring Center 	<ol style="list-style-type: none"> 1. Upgrading of production, extraction and processing techniques and facilities 2. Comprehensive rubber research and development plan

Con't Table 12

Sector	by the Philippine Government	by the Sector
	<ol style="list-style-type: none"> 3. Improve economic viability on natural rubber plantations <ul style="list-style-type: none"> • create a natural rubber valuation method based on the local demand and supply situation • facilitate exemption of natural rubber from VAT 4. Create Natural Rubber Board to handle all issues and concerns of the industry 	<ol style="list-style-type: none"> 3. Significant restructuring of production and marketing strategies 4. Encourage direct producer-manufacturer agreements
Fertilizer Sector	<ol style="list-style-type: none"> 1. Provision of farm-to-market roads 2. Implementation of farm irrigation facilities 3. Rationalization of energy costs 4. Review of tariff structure to provide incentives to locally manufactured fertilizers 5. Reduction and stabilization of interest rates to provide accessible credit financing to farmers, cooperatives, and fertilizer handlers 6. Provision of strategic post-harvest facilities and warehousing through the NFA 7. Encourage support for the Gintong Ani Program 8. Conduct a nationwide mapping of the status of fertility in agricultural areas 9. Improvement of existing port facilities and construction new ports in strategic areas 10. Continuously make available technology and farm input within the reach of farmers 11. Ensure adequate supply of fertilizers through adequate production and an extensive distribution system 12. Study further the complete privatization of PHILPOS 	<ol style="list-style-type: none"> 1. Investments in R & D to upgrade the level of science & technology 2. Support the Gintong Ani Program 3. Promote techno-demonstration farms conducted by Agricultural Technicians to be monitored and evaluated after one crop season 4. Coordinate closely with various government agencies to accelerate development of irrigation infrastructure 5. Introduce and promote for adoption of farmers the use of in-store dryers, outdoor storage and moisture meters, in cooperation with government 6. Advocate for government support by way of incentives
Automotive Sector	<ol style="list-style-type: none"> 1. Greater transparency and unity in the formulation of policies 2. Strict enforcement of MVDP guidelines 	<ol style="list-style-type: none"> 1. Greater participation in the government consultation processes 2. Greater cooperation among participants

Con't Table 12

Sector	by the Philippine Government	by the Sector
Oilseeds & Oilseed Products Sector	<ol style="list-style-type: none"> 1. Amendment of the CARP to exclude coconut and palm oil 2. Provide financing for growers 3. Construction of a good road network 4. Development of the Agusan River Basin for palm oil irrigation 5. Institute training to strengthen small farmers' organizations in the areas of intercropping, land use, and livelihood projects 6. Arrest the discriminate cutting of coconut trees 7. Development of post-harvest facilities 8. Inclusion of coconut under the classification of export winners 	<ol style="list-style-type: none"> 1. Together with the government, implement the master plan for the coconut industry 2. Study opportunities of access to big markets like India and China 3. Coordination among research organizations to get the most out of the limited funds 4. Review comparative domestic support among the different oils and ask how government can mitigate the gap
Food Sector	<ol style="list-style-type: none"> 1. Provision of handling, storage, transport and post-harvest facilities 2. Acceleration of the development of standards for imported foods 3. Creation of trade and selling missions in potential export markets 4. Financial assistance for SMEs 5. Lowering of tariffs on imported packaging materials 6. Re-aligning of tariff structure 	<ol style="list-style-type: none"> 1. Upgrading of facilities, equipment and technologies 2. Develop better packaging of locally produced commodities
Civil Aircraft Sector	<ol style="list-style-type: none"> 1. Improve and strictly enforce flight safety standards and practices 2. Improve the educational standards of aeronautical schools and training centers 3. Include aeronautical engineering among the courses taught in the country's leading engineering universities 4. Undertake aircraft research and development 5. Encourage and support domestic civil aircraft firms in seeking out foreign partners who will bring new technology, skilled jobs and high value-added activities in the country 	<ol style="list-style-type: none"> 1. Establish aircraft maintenance facilities of international quality standard in the Philippines 2. Firms may merge or forge alliances with other firms engaged in similar activities

Appendix Table 2. Share of Philippines to total imports of APEC economies, by sector, 1991-1995

Sector/Market	1991	1992	1993	1994	1995
Toy					
Australia	1.04	0.80	1.10	0.93	0.69
Canada	0.44	0.48	0.56	0.71	0.64
Chile				0.01	0.09
China			0.00		0.09
Hongkong		0.04	0.03	0.05	0.05
Indonesia					
Japan*	0.45	0.53	0.51	0.50	0.58
Korea	0.04	0.13	0.42	0.24	0.32
Malaysia	0.23	0.20	0.33	0.32	0.13
Mexico	0.04	0.02	0.05	0.33	0.16
New Zealand	0.61	0.53	0.60	0.88	0.92
Singapore	0.30	0.27	0.35	0.37	0.36
Thailand	0.89	0.78	0.52	0.60	0.55
USA*	0.92	0.97	1.04	1.06	0.88
Environmental goods					
Australia	0.02	0.02	0.05	0.04	0.04
Canada	0.36	0.55	0.93	0.93	1.56
China		0.02	0.01	0.07	0.01
Hongkong		0.53	0.25	0.40	0.43
Indonesia	0.24	0.28	0.23	0.44	0.99
Japan	0.11	0.02	0.05	0.20	0.29
Korea	0.00	0.00	0.01	0.01	0.02
Malaysia	0.09	0.17	0.13	0.25	0.38
Singapore	0.51	0.52	1.21	0.62	0.77
Chinese Taipei					
Thailand	0.13	0.19	0.82	0.10	0.08
United States	0.30	0.24	0.45	0.74	1.83
Medical equipment & instruments					
Australia	0.07	0.10	0.11	0.17	0.28
China			0.02	0.07	0.02
Hongkong	0.05	0.06	0.04	0.12	0.14
Indonesia					
Japan	0.02	0.07	0.17	0.15	0.34
Korea	0.06	0.02	0.16	0.16	0.07
Malaysia	0.32	0.31	0.17	0.04	0.03
Singapore	0.02	0.05	0.06	1.39	0.43
Thailand	0.90	1.32	1.72	0.07	0.03
United States	0.66	1.21	1.27	1.12	0.91
Gems & jewelry					
Australia	0.05	0.40	0.07	0.15	0.04
Canada	2.21	1.74	1.93	2.01	1.19
Hongkong*	-	3.91	1.20	0.11	0.08
Indonesia					
Japan*	0.69	0.19	0.70	0.29	0.31
Korea	2.08	0.28	0.37	0.98	0.35
Malaysia	1.08	0.02	0.00	0.01	0.01
Mexico	0.23	-	0.00	0.32	0.29
New Zealand	3.45	3.51	3.84	3.31	2.86
Singapore	0.17	0.32	2.10	4.90	9.59
Thailand	24.37	15.92	-	-	-
USA*	0.24	0.27	0.24	0.20	0.11

Appendix Table 2. Share of Philippines to total imports of APEC economies, by sector, 1991-1995

Sector/Market	1991	1992	1993	1994	1995
Fish & fish products					
Australia	1.35	0.74	0.36	0.72	0.88
Canada	3.06	3.07	2.57	1.81	2.47
China	-	0.57	0.56	0.63	0.26
Hongkong	-	1.43	1.76	2.06	1.85
Japan*	3.38	2.73	2.70	2.47	2.14
Korea	1.14	1.62	1.46	2.58	2.77
Malaysia	1.74	1.22	3.17	2.77	0.57
Mexico	0.00	0.00	0.10	7.79	1.72
Singapore	0.57	0.40	0.37	0.56	0.62
Thailand	0.03	0.16	0.07	0.50	0.92
USA*	2.02	1.94	1.76	1.63	1.83
Forest products					
Australia	2.95	2.98	2.55	2.55	2.45
Canada	0.56	0.51	0.35	0.33	0.34
Chile	0.73	2.01	2.93	3.67	3.41
China		0.15	0.10	0.21	0.51
Hongkong		0.20	0.25	0.30	0.10
Indonesia	0.70	0.22	1.54	1.37	2.93
Japan	1.03	1.01	0.89	0.81	0.79
Korea	0.75	0.79	0.64	0.80	1.59
Malaysia	3.42	4.33	4.44	2.77	1.30
Mexico	0.76	0.20	0.15		0.23
New Zealand	2.75	2.57	2.14	1.66	1.64
Singapore	2.14	1.39	0.45	0.65	0.41
Thailand	0.04	0.56	0.32	0.18	0.07
United States	1.78	1.61	1.36	1.28	1.34
Energy					
Australia	0.21	-	-	0.10	-
China		0.66	1.26	3.68	2.23
Hongkong		1.93	1.45	0.49	0.37
Indonesia	0.01	-	0.27	0.01	0.02
Japan	0.18	0.20	0.17	0.12	0.14
Korea	0.28	0.31	0.20	0.22	0.04
Malaysia	0.21	0.34	0.19	0.26	0.41
Singapore	0.05	0.17	0.16	0.10	0.16
Thailand	0.03	0.02	-	-	0.03
United States	0.36	0.25	0.11	0.01	0.24
Chemicals					
Australia	0.26	0.21	0.19	0.20	0.22
Canada	0.01	0.01	0.00	0.01	0.01
Chile	0.00	0.00	0.01	0.00	0.01
China		0.41	0.24	0.06	0.05
Hongkong		0.35	0.28	0.25	0.31
Indonesia	1.83	0.55	0.34	0.20	0.27
Japan	0.20	0.23	0.21	0.19	0.18
Korea	0.14	0.08	0.07	0.09	0.06
Malaysia	0.23	0.17	0.16	0.17	0.15
Mexico	0.02	0.01	0.00	0.00	0.01
New Zealand	0.11	0.12	0.18	0.13	0.15
Singapore	0.19	0.20	0.17	0.12	0.10
Thailand	1.19	0.95	1.03	0.86	0.41
United States	0.11	0.11	0.10	0.09	0.10

Appendix Table 2. Share of Philippines to total imports of APEC economies, by sector, 1991-1995

Sector/Market	1991	1992	1993	1994	1995
Natural & synthetic rubber					
China*		0.03	0.19	0.19	0.47
Hongkong*				0.50	1.29
Indonesia				0.19	0.10
Korea	0.68	0.10	0.07	0.12	0.56
Malaysia*	9.39	14.90	16.01	6.64	8.55
Singapore*	0.15	0.36	0.47	0.30	2.29
United States	0.47	0.41	0.26	0.17	0.02
Fertilizer					
Australia*	4.36	1.27	1.58	0.88	0.71
Hongkong			15.40	1.41	
Indonesia*	24.91	11.92	13.91	6.17	4.82
Japan	0.45	0.20	0.32	0.18	0.27
Korea	2.85	3.70			0.01
Malaysia	2.23	1.57	1.94	0.22	0.22
New Zealand	3.05	2.91	8.97	2.74	
Singapore	0.28				5.06
Thailand*	9.66	7.42	8.09	8.01	0.02
United States	0.72	0.59	0.30	0.21	0.34
Automotive					
Australia	0.81	1.21	1.14	0.74	0.67
Canada	0.06	0.06	0.06	0.06	0.07
Chile	-	0.26	1.70	2.66	2.43
China	-	0.01	0.06	0.03	0.02
Hongkong	-	0.10	0.20	0.17	0.41
Indonesia	0.06	0.02	0.17	0.30	0.30
Japan	1.15	1.57	1.84	1.45	1.39
Korea	0.10	0.31	1.10	0.81	0.70
Malaysia	0.15	0.14	0.86	0.83	0.94
Mexico	0.09	0.05	0.03	0.09	0.03
New Zealand	0.89	1.11	1.11	0.74	0.68
Singapore	0.18	0.24	0.59	0.62	0.36
Thailand*	0.44	0.43	0.88	1.10	1.15
USA	0.89	1.00	1.09	1.08	1.25
Oilseed & oilseed products					
Canada	39.30	46.77	39.71	37.66	71.15
China	-	22.63	0.96	0.95	1.12
Hongkong	-	-	-	9.83	34.51
Indonesia*	45.06	91.15	93.80	99.79	99.76
Japan	33.58	38.07	25.24	30.96	20.76
Korea*	90.60	66.49	91.86	40.45	72.17
Malaysia*	64.27	41.37	58.83	82.96	91.36
Mexico	4.73	-	-	75.16	89.58
Singapore	8.14	43.32	1.53	29.56	25.63
Thailand	90.07	85.25	86.43	81.34	96.84
United States*	51.10	53.98	48.07	45.47	65.92
Food					
Australia	0.83	0.80	0.79	0.62	0.63
Canada	0.45	0.43	0.39	0.32	0.37
Chile	0.08	0.18	0.05	0.09	0.11
China	-	0.38	0.77	0.45	0.51

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